

FORM  
**N-320**  
(REV. 2005)

# INDIVIDUAL DEVELOPMENT ACCOUNT CONTRIBUTION TAX CREDIT

TAX  
YEAR  
**2005**

Or fiscal year beginning \_\_\_\_\_, 2005, and ending \_\_\_\_\_, 20\_\_\_\_

ATTACH TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR N-70NP, WHICHEVER IS APPLICABLE.

Name(s) as shown on Form N-11, N-12, N-15, N-20, N-30, N-35, N-40, or N-70NP

SSN or FEIN

## COMPUTATION OF TAX CREDIT

**Note:** If you are claiming the Ethanol Facility Tax Credit, no other credit can be claimed for the taxable year. Skip line 1 and begin on line 2.

- 1 Flow through of Hawaii individual development account contribution tax credit received from other entities, if any: **Check box below.**

Enter Name and Federal Employer I.D. No. of Entity:

- a Partner — enter amount from Schedule K-1 (Form N-20), line 22.....  
 b S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 12j.....  
 c Beneficiary — enter amount from Schedule K-1 (Form N-40), line 10.....  
 d Patron — enter the amount from federal Form 1099-PATR .....

- 2 Carryover of unused individual development account contribution tax credit from prior year.....  
 3 Add lines 1 and 2 and enter result here. This represents your tentative current year individual development account contribution tax credit. For N-20, N-35, and N-40 filers, stop here and see the instructions before proceeding to line 4 .....

**Tax Liability Limitations (Not to be completed by Form N-20 and Form N-35 filers)**

- 4 a Individuals — Enter tax liability amount from Form N-11, Form N-12, or, if applicable, Form N-15 .....  
 b Corporations — Enter tax liability from Form N-30 .....  
 c Other filers — Enter your income tax liability, before credits, from the applicable form .....
- 5 If you are claiming other credits, complete the credit worksheet in the instructions and enter the total here.....
- 6 Line 4 minus line 5. This represents your income tax liability, as adjusted. If the result is zero or less than zero, enter zero on line 10 .....
- 7 **Total credit allowed** — Enter the smaller of line 3 or line 6. This is your individual development contribution tax credit allowable for the year. Enter this amount also, rounded to the nearest dollar for individual taxpayers, on the appropriate line for the credit on Schedule CR (for Form N-11, N-12, N-15, N-30, and N-70NP filers), or on Form N-40, Schedule E (for the estate's or trust's share), whichever is applicable .....
- 8 Line 3 minus line 7 (see instructions). This represents your carryover of unused credit. The amount of any unused tax credit may be carried over and used as a credit against your income tax liability in subsequent years until exhausted.....

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## GENERAL INSTRUCTIONS

**Note:** If you are claiming the Ethanol Facility Tax Credit, no other credit can be claimed for the same taxable year.

Pursuant to section 235-5.6, Hawaii Revised Statutes, a taxpayer who contributes to an individual development account matching fund may be able to claim a nonrefundable individual development account contribution tax credit against the taxpayer's net income tax liability. This credit is available for taxable years beginning after December 31, 1999, and unavailable for taxable years beginning after December 31, 2004. All

claims for the tax credit must be filed on or before the end of the 12th month following the close of the taxable year for which the tax credit may be claimed. An extension of time for filing a return does not extend the time for claiming the tax credit. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

**Note:** In the case of an S corporation, partnership, estate and trust, the tax credit is determined at the entity level for the taxable year.

**How to use this form.** Although this credit is unavailable for taxable years beginning after December 31, 2004, use this form to 1) claim your

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distributive share of the credit distributed from a partnership, an S corporation, an estate, or trust that is still qualified to claim the credit, or 2) claim a credit carried over from a previous year.

## Definitions of Certain Terms Used in Chapter 257, Hawaii Revised Statutes (HRS)

"Eligible individuals" (a) The income of the household of the individual development account holder shall not exceed eighty per cent of the area household median income. (b) The individual shall enter into an individual development account agreement with a fiduciary organization.

"Fiduciary organization" means an organization that serves as an intermediary between an individual account holder and the financial institution holding the individual's individual development account funds. Fiduciary organizations may include: (1) One or more not-for-profit organizations described in section 501(c)(3) of the Internal Revenue Code and exempt from taxation under section 501(a) of the Code; or (2) State or local government agencies submitting an application jointly with another organization.

"Individual development account" means an optional, interest bearing, subsidized, tax-benefitted account used exclusively for the purpose of paying the qualified expenditure of an eligible individual as determined by the fiduciary organization.

"Post-secondary educational expenses" means: (1) Tuition and fees required for the enrollment or attendance of a student at an eligible educational institution; and (2) Fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

"Qualified acquisition costs" means the costs of acquiring, constructing, or reconstructing a residence and shall include any usual or reasonable settlement, financing, or other closing costs.

"Qualified business" means any business that does not contravene any law or public policy.

"Qualified business capitalization expenses" means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

"Qualified expenditures" means an expense as determined by a fiduciary organization, which may include but not be limited to: (1) Costs associated with first home-ownership; (2) Post-secondary education; (3) Vocational training; and (4) Small or micro-business capitalization.

"Qualified plan" means a business plan or a plan to use a business asset purchased, that: (1) Is approved by a financial institution, a micro-enterprise development organization, or a nonprofit loan fund having demonstrated fiduciary integrity; (2) Includes a description of services or goods to be sold, a marketing plan, and projected financial statements; and (3) May require the eligible individual to obtain the assistance of an experienced entrepreneurial advisor.

"Qualified principal residence" means a principal residence (within the meaning of section 1034 of the Internal Revenue Code of 1986), the qualified acquisition costs of which do not exceed one hundred per cent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e) of the Code).

## How to Obtain Tax Forms

To request tax forms by fax or mail, you may call 808-587-7572 or toll-free at 1-800-222-7572.

Tax forms are also available on the Internet. The Department of Taxation's site on the Internet is:

[www.hawaii.gov/tax](http://www.hawaii.gov/tax)

## SPECIFIC INSTRUCTIONS

Enter the name(s) shown on your return. If filing a joint return, enter the social security number of the person whose name is shown first on the return.

**Note:** If you are claiming the Ethanol Facility Tax Credit, no other credit can be claimed for the taxable year. Skip line 1 and begin on line 2.

**Line 1**—Enter the name and federal employer identification number of any flow-through entity who has passed the individual development account contribution tax credit through to the taxpayer. If additional space is needed, include the information on an attached schedule.

**Line 2**—Enter the carryover of unused individual development account contribution tax credits from the prior year.

**Line 3**—Add lines 1 and 2. This is your tentative current year individual development account contribution tax credit.

Estates and trusts: The credit on line 3 is to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. In the space above "Tax Liability Limitations" enter the credit allocable to the estate or trust with the designation "N-40 PORTION". Attach Form N-320 to the N-40 return and show the distributive share of the credit for each beneficiary.

Form N-20 and N-35 filers, stop here. Form N-20 filers, enter the amount on line 7 on Schedule K, line 22. Form N-35 filers, enter the amount on line 7 on Schedule K, line 12j. Form N-40 filers, enter the distributive share amount on line 10 of Schedule K-1, Form N-40, for each beneficiary, otherwise, continue to line 4. All others, continue to line 4.

## Tax Liability Limitations

**Line 4**—Enter the tax liability before any credits from the appropriate line on your tax return.

**Line 5**—Complete the **Credit Worksheet** in these instructions and enter the result on line 9.

**Line 7**—Compare the amounts on lines 3 and 6. Enter the smaller of line 3 or 6 here. This is your maximum credit allowed for this taxable year.

**Line 8**—The tax credit shall be claimed against your net income tax liability for the taxable year in which the matching contribution is made. The amount of the credit which exceeds your tax liability may be carried over to subsequent years until exhausted.

## CREDIT WORKSHEET

Tax Credit	Amount
a. Ethanol Facility Tax Credit . . . . .	_____
b. Income Taxes Paid to another state or foreign country . . . . .	_____
c. Enterprise Zone Tax Credit . . . . .	_____
d. Energy Conservation Tax Credit . . . . .	_____
e. Credit for Employment of Vocational Rehabilitation Referrals . . . . .	_____
f. Add lines a through e. Enter the amount here and on line 5 . . . . .	_____